

Message Text

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ACTION STR-02

INFO OCT-01 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-01 H-01 INR-05 INT-05 L-02 LAB-01

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

SWF-01 AF-04 ARA-06 EA-06 EUR-12 NEA-06 /115 W

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P 191750Z NOV 74

FM USMISSION GENEVA

TO SECSTATE WASHDC 9293

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C O R R E C T E D C O P Y (PARA 2.)

PASS STR (MCNAMARA)

E.O. 11652: N/A

TAGS: ETRD GATT

SUBJECT: MTN: GATT SECRETARIAT STUDY OF EFFECTS OF MFN

TARIFF CUTS ON GSP BENEFITS

REFS: GENEVA 5510, GENEVA 5612

1. MTN DELEGATION HAS LEARNED THAT A QUOTE DEPUTY
DIRECTOR GENERAL OF GATT UNQUOTE HAS REJECTED FORMULAS
USED IN STUDY AND DESCRIBED IN REFTELS. HE
BASED REJECTION ON BELIEF THAT FORMULAS SHOULD APPROXI-
MATE AS CLOSELY AS POSSIBLE THE FORMULA LIKELY TO BE
DECIDED UPON AS WORKING HYPOTHESIS FOR MTN.

2. GATT SECRETARIAT HAS NOW COME UP WITH THREE NEW FORMULAS
AND HAS ASKED WHETHER THESE WOULD BE ACCEPTABLE TO U.S.
FORMULAS ARE:

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(A) TARIFFS IN ZERO TO 10 PCT RANGE TO BE REDUCED TO ZERO;

TARIFFS ABOVE 10 PCT TO BE CUT BY 50 PCT.

(B) TARIFFS IN ZERO TO 7 PCT RANGE TO REMAIN UNCHANGED;
TARIFFS IN 8 TO 14 PCT RANGE TO BE REDUCED PROPORTIONATELY
SO THAT THE ORIGINAL 8 PCT TARIFF WILL BE CUT TO 7 PCT AND
TO 14 PCT TARIFF WILL BE CUT TO 10 PCT. TARIFFS BETWEEN
14 PCT AND 20 PCT WOULD BE ALL CUT TO 10 PCT. TARIFFS ABOVE
10 PCT WOULD BE CUT BY 50 PCT.

(C) $Y = X + 10$ WHERE X EQUALS ORIGINAL TARIFF
LEVEL AND Y EQUALS PCT REDUCTION.

3. COMMENT: THESE NEW TARIFF FORMULA REPRESENT
SPECIFIC TARIFF REDUCTION AUTHORITIES SINCE FORMULA
(A) IS OBVIOUSLY THE SENATE FINANCE COMMITTEE'S
AUTHORITY IN THE TRA AND FORMULAS (B) AND (C) APPROXIMATE
THE TARIFF CUTTING OBJECTIVE GIVEN IN THE LATEST EC
DRAFT MANDATE. THIS MEANS THAT THE GSP STUDY PRESENTLY
ENVISAGED BY THE SECRETARIAT SEEMS TO HAVE MOVED A STEP
BEYOND ITS ORIGINAL PURPOSE AS SOLELY EDUCATIONAL AND ILLUSTRATIVE
EXERCISE. WE WOULD APPRECIATE A REPLY AS SOON AS POSSIBLE WITH
INSTRUCTIONS WHETHER TO ACCEPT, REJECT OR MODIFY THE
PROPOSED NEW FORMULAS. DALE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MFN, TARIFFS, TARIFF NEGOTIATIONS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GENEVA07046
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740341-0557, D740334-0659
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741132/aaaabapx.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: GENEVA 5510, GENEVA 5612
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2002 by rowelle0>; APPROVED <18 MAR 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MTN: GATT SECRETARIAT STUDY OF EFFECTS OF MFN TARIFF CUTS ON GSP BENEFITS
TAGS: ETRD, GATT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005